



RED ROBIN GOURMET BURGERS, INC.  
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Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

December 13, 2011

**Re: PCAOB Rulemaking Docket Matter No. 037, Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Office of the Secretary:

Red Robin Gourmet Burgers, Inc. is pleased to comment on the Public Company Accounting Oversight Board's (PCAOB) *Concept Release on Auditor Independence and Audit Firm Rotation* (concept release).

We agree with the importance of reviewing auditor independence, objectivity and professional skepticism for auditors. However, we do not believe enough empirical evidence exists to suggest that mandatory audit firm rotation is the best solution to the PCAOB's concern that regulations around auditor independence, objectivity and professional skepticism need to be improved. Therefore, we strongly oppose the PCAOB's proposal of mandatory audit firm rotation for the reasons discussed below:

- We believe that the current system of peer reviews and PCAOB inspections provide sufficient oversight of auditor independence, objectivity, and professional skepticism. As the rules currently stand, the audit engagement partner and engagement quality control review partner are required to rotate off of the engagement; the audit engagement team is required to vary the timing, nature, and scope of its audit procedures; and an inspection of auditors and their work is performed by the PCAOB. In addition, the Securities and Exchange Commission and the PCAOB have adopted standards that require auditor communications with audit committees regarding independence; prohibitions on hiring former auditors, including cooling-off periods; and prohibitions on the types of services auditors can provide, including providing tax services to those in financial reporting oversight roles. Should the current system be deemed insufficient, we believe that the PCAOB should undertake efforts to improve the existing processes.
- As a public company, our Board of Directors and management have significant responsibility and exposure to liability related to financial reporting, including the selection of our auditors. We believe the requirement under the Sarbanes-Oxley Act for the audit committee to provide pre-approval of all audit and non-audit services and the



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expanded requirements for the audit committee to oversee the work of the independent auditor have improved audit committee practices. Further, based on the experiences of our management and Board members, we know that not all firms and their partners excel equally in knowledge of complex issues in all industries and the application of Generally Accepted Accounting Principles. As such, we believe that we are in the best position to select auditors who will help us ensure that our financial statements are prepared and filed timely and accurately. We agree with former SEC chairman Mr. Harvey Pitt's comments that "[l]arge accounting firms are not fungible..." and we believe that the audit committee and management are uniquely qualified to assess the various merits and characteristics of an audit firm, including specific industry expertise. We do not believe we (or our shareholders who ratify our selection of auditors) need government assistance in determining which firm will provide the most independent and objective audit, just as we do not believe we need government assistance in determining which bank will best provide us with treasury services.

- If the PCAOB were to require all public companies to rotate audit firms periodically, we believe there would be too few firms available to perform audits of large public companies. Although a greater concern for larger multinational organizations, this is of importance to mid-sized domestic companies as well. SEC rules regarding conflicts of interest restrict an audit firm's availability to perform certain services. For example, performing an audit of a parent or investor entity may limit an audit firm's ability to serve as auditor of an investee. Further, companies may want to use a particular firm for non-audit services. However, the SEC's auditor independence rules may preclude that firm from performing audit work when mandatory rotation is due.
- We believe mandatory firm rotation would be disruptive to our business. We devote significant time and effort educating our auditors today while dealing with required partner rotation as well as normal audit staff turnover. Mandating audit firm rotation would substantially increase the effort required by us. The knowledge gained by the audit firm during their time on the audit would be lost every five years under the PCAOB's mandatory audit firm rotation proposal including specific knowledge of major corporate events such as merger and acquisition transactions, corporate restructurings, new financial reporting requirements or significant management turnover that may occur during an audit firm rotation. We believe the audit quality in years of transition and in the final years of a firm's engagement could actually decrease the level of audit assurance due to the disruptive nature of mandatory rotation and the effort required by a new firm to gain adequate knowledge of a company's business and accounting issues. We acknowledge that companies today may and do voluntarily choose to change firms, but this is driven by the needs of the company to improve service and not by regulatory requirements.



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- We believe the costs of our audit would increase should the PCAOB require audit firm rotation mandatory rotation. Costs of changing audit firms periodically would include designing requests for proposals, meeting with various firm representatives, reviewing written proposals and conducting oral interviews; and evaluating and selecting a new firm. We anticipate that audit firms would increase their fees to cover the start up costs the firm would incur in taking over our account. Also, our company would incur opportunity costs as the audit committee members would have to devote substantially more time to evaluating and selecting a new audit firm periodically than the time required to assess the independence of the incumbent audit firm.

We believe that any additional assurance of auditor independence that audit firm rotation could provide the company and its investors would not justify the risks of decreased audit assurance and costs to our company and investors that mandatory audit firm rotation would create.

We strongly urge you to withdraw your proposal to require mandatory rotation of audit firms. We would be pleased to discuss our comments with the PCAOB or its staff at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "S. Brown", written over a horizontal line.

Stuart B. Brown  
Chief Financial Officer  
Red Robin Gourmet Burgers, Inc.